LAFCO of Napa County

Local Agency Formation Commission

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AGENDA ITEM NO. 9b

October 9, 2003

TO: **Local Agency Formation Commission**

FROM: Keene Simonds, Analyst

SUBJECT: Comprehensive Water Service Study: Draft Determinations

At its April 10, 2003 meeting, the Commission received a presentation by staff providing an overview of the first phase of the Comprehensive Water Service Study. Following this presentation, the study was released for public review and a public workshop was conducted by the Commission at its June 12, 2003 meeting. At the conclusion of the public workshop, the Commission directed staff to proceed with the next phase of the study: the development of draft determinations. Draft determinations for the Cities of American Canyon, Calistoga, Town of Yountville, and Napa Sanitation District were presented to the Commission at its August 14, 2003 meeting.

In a continuation of this process, staff has prepared draft determinations with respect to the City of Napa and the Napa County Flood Control and Water Conservation District. These draft determinations are included with updated study sections for each agency and are presented to the Commission for its consideration pursuant to Government Code §56430. Staff is presenting these draft determinations to the Commission for a firstreading. These draft determinations will then be circulated for comment from affected agencies and interested parties. Final determinations will be presented for adoption at the Commission's December 11, 2003 meeting.

Draft determinations for the remaining agencies included in the Comprehensive Water Service Study will be presented to the Commission at future meetings.

Vice-Mayor, City of American Canyon

OVERVIEW

Established in 1951, the Napa County Flood Control and Water Conservation District (NCFCWCD) was formed by a special act of the California Legislature to provide a wide range of municipal services for the residents of Napa County. In particular, the District was formed to facilitate the procurement of domestic water supplies and provide for the control of flood and storm waters within the County. The District's formation provided the mechanism allowing the County to participate in government programs to preserve and enhance local water supplies and obtain federal and state assistance to finance flood control projects. The focus of this study is the District's water conservation services.

In 1963, NCFCWCD's water conservation services were initiated following an agreement with the California Department of Water Resources (DWR). The agreement was amended in 2000 and provides the District with an annual entitlement of water drawn from the State Water Project (SWP). The District's entitlements are gradually increased each year until its maximum annual entitlement of 29,025 acre-feet is reached in 2021; entitlements continue thereafter until 2035 when all SWP contracts are due to expire. In exchange for an annual entitlement, the District is responsible for repayment of costs for the construction, maintenance, and operation of SWP facilities. Notably, along with the Solano County Water Agency (SCWA), the District is responsible for the costs associated with the construction and operation of the North Bay Aqueduct (NBA), which facilitates delivery of SWP entitlements to Napa and Solano Counties.

The construction of the NBA was completed in two phases: the "Napa Phase" and the "Solano Phase." The Napa Phase was completed in 1968 and involved the construction of temporary and permanent facilities in Napa and Solano Counties. This phase included a temporary transmission line connecting a SWP pumping plant in Cordelia (Solano County) with the Putah South Canal. This temporary transmission line enabled the District to begin receiving non-project water drawn from Lake Berryessa as part of the federal government's Solano Project. The District's access to the Solano Project was secured through an interim agreement with the Solano County Flood Control and Water Conservation District (predecessor to SCWA). In 1988, the Solano Phase of the NBA was completed, resulting in a 27-mile transmission line connecting Napa County to the Sacramento-San Joaquin Delta. Project water delivered to the District is stored at the Napa Turnout Reservoir in Jameson Canyon.

NCFCWCD's agreement with DWR enables the District to subcontract its annual entitlement with local agencies. Significantly, this feature allows the cost of SWP water to be passed directly to the subcontractors. Between 1966 and 1982, the District reached subcontracting agreements with the Cities of Calistoga and Napa, Town of Yountville, and the American Canyon County Water District (predecessor to the City of American Canyon). Theses agreements provide each subcontractor with an annual share of the District's SWP entitlement through 2035. In exchange, each subcontractor contributes to

the cost associated with the purchase and delivery of SWP water in proportion to the amount of entitlement. Collectively, the District's SWP subcontractors are referred to as "member units." Payments to DWR for SWP entitlements are facilitated through two fees: a transportation charge and a water charge. The transportation charge is based on a proportionate share of the capital and operating cost associated with the infrastructure and facilities needed to capture and convey water to Napa County. The water charge is based on each acre-foot delivered. Both fees are reviewed on an annual basis by DWR and are calculated to recapture all project costs by 2035.

In addition to its agreement with DWR, NCFCWCD maintains a water supply agreement with the United States Department of the Interior, Bureau of Reclamation, for an annual entitlement of water drawn from the Solano Project. Renewed in 1999, this agreement provides the District with an annual allocation of 1,500 acre-feet of water from Lake Berryessa through 2024. The District subcontracts this entitlement to several individual property owners in the Lake Berryessa area, as well as to three special districts: Lake Berryessa Resort Improvement District (LBRID), Napa-Berryessa Resort Improvement District (NBRID), and Spanish Flat Water District. ¹ Each subcontractor is responsible for the construction and operation of their own intake and delivery system to Lake Berryessa.

NCFCWCD's water conservation services are provided with direction from its subcontractors. To increase its responsiveness to the collective needs of Napa County, the District formed an advisory group consisting of the public works directors and staffs of the five cities and the County. Commonly referred to as "Wartac," the group provides the District with a consensus among the cities regarding current and future water issues. In 2000, on behalf of this advisory group, the District reached an agreement with Kern County Water Agency for the permanent transfer of 4,025 acre-feet of annual SWP entitlement. Costs are proportionately shared by each of the five cities according to the amount of water each city is entitled.

Aside from administering the aforementioned water supply contracts, NCFCWCD facilitates collaborative studies aimed at examining local water supplies and enhancement opportunities. The District is currently facilitating a countywide water study to identify current and projected water demand within each of its participating agency's service areas as well as documenting agricultural demands in unincorporated areas served by groundwater. The "2050 Study" will also include an analysis of potential new water sources, including the feasibility of capturing water from the Napa River for beneficial use. Funding participants include the County, Napa Sanitation District, and each of the five cities. The District also is participating in a study with the United States Geological Survey. The study is an update of a 1977 analysis of the hydrological and geological properties for the lower basins of the Milliken Creek, Sarco Creek, and Tulucay Creek of Napa County. The study is due for release in 2003.

Management for both districts is currently provided by the County's Public Works Department.

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Until recently, NCFCWD had administered operations for LBRID and NBRID. Both districts are governed by the Napa County Board of Supervisors and were formed in the 1960s to provide potable water and wastewater services for planned resort/residential communities near Lake Berryessa.

GOVERNANCE

NCFCWCD was organized by the California Legislature under the Napa County Flood Control and Water Conservation District Act of 1951. The District's 11-member governing board is comprised of the Napa County Board of Supervisors, the mayors of the five cities in the County, and a council member from the City of Napa. The board is empowered to establish and enforce any rule or regulation deemed necessary to carryout the business of the District. Pursuant to the Act, all officers of the County and their employees are subject to perform duties on behalf of the District. If deemed advisable, the board may establish zones within the District to carry out specific plans or projects for the benefit of a designated area. In the event a project for one or more zones is planned, the board is required to appoint three property owners residing in the affected zone to an advisory committee. The appointed committee members are required to take part in all meetings and/or discussions involving designated projects. District operations may be financed through property taxes, assessments, charges, general obligation bonds, the sale or lease of real property, and the sale of surplus water.

NCFCWCD's board meetings are conducted on the first and third Tuesday of every month. Meetings are held at the County of Napa's Administration Building and are open to the public. Pursuant to the Napa County Flood Control and Water Conservation District Act of 1951 (Chapter 1449: 3411), the District is authorized to provide the following municipal services:

- Control flood and storm waters in order to conserve for beneficial and useful purposes by spreading, storing, retaining, and/or causing such waters to percolate into the soil; protect public highways, life, property, watercourses, and watersheds from flood and storm waters; prevent the waste of water supply within the District; obtain, retain, and reclaim drainage, storm, flood, or other waters from any other sources within or outside of the District for beneficial uses (Section Four)
- To acquire through any means, real property and/or to construct, maintain and operate improvement works necessary to carry out the duties of the District (Section Five, Part Four)
- To store water in surface or underground reservoirs within or outside of the District; to conserve and reclaim water for present and future uses; to appropriate and acquire water and/or water rights within or outside of the District; ensure an sufficient water supply is available for any present or future beneficial uses that

NCFCWCD's governing body originally consisted of the Napa County Board of Supervisors. In 1996, the California Legislature amended the District's enabling act to expand its governing body to include the mayors of the five cities in Napa County and a councilmember from the City of Napa.

Since its formation, NCFCWCD has established one zone: "Zone 1." This zone was created in 1952 for the purpose of operating a water pump station for storm and flood control in southern Napa County near Edgerly Island. Zone 1 was subsequently dissolved in 1982 with its water pump station conveyed to the Napa River Reclamation District #2109.

includes the acquisition, storage, and distribution of water for irrigation, domestic, fire protection, municipal, commercial, industrial and all other beneficial uses (Section Five, Part Five)

• Perform studies or analyses as it relates to water supply, water rights, and the control of flood and storm waters (Section Five, Part Eight)

OPERATIONS

The Public Works Department for the County of Napa provides administrative services to NCFCWCD. Public Works is compensated for staff time spent on District activities on an hourly rate. Public Works primary responsibility relating to the District's water conservation services includes administering its master water supply agreements with DWR and the Bureau of Reclamation. In addition, Public Works administers the District's water supply agreements with its local subcontractors. District operations receive input through an advisory committee that is comprised of the public works directors and staffs for each of the five cities in Napa County and the County of Napa.

ADOPTED BOUNDARIES

NCFCWCD's adopted service area is comprised of one contiguous area consisting of 506,517 acres. The District's service area is conterminous with its sphere of influence and includes all lands within Napa County. The District is under the land use of authority of multiple jurisdictions, including the County of Napa and the Cities of American Canyon, Calistoga, Napa, St. Helena, and the Town of Yountville.

NCFCWCD - Adopted Boundaries		
District Boundary:	506,517 acres *	
Sphere of Influence Boundary:	506,517 acres *	

* Figures are approximations calculated using information generated by LAFCO and County of Napa's geographic information systems.

County Public Works estimates that approximately 120 hours of monthly staff time is spent on NCFCWCD activities.

WATER SUPPLY

NCFCWCD's water supply is based on contracted entitlements with DWR and the Bureau of Reclamation. The District's agreement with DWR provides it with an annual entitlement of water drawn from the SWP through 2035. SWP water is delivered to the District through the NBA, a 27-mile transmission line that conveys captured water from the Sacramento-San Joaquin Delta to the Napa Turnout Reservoir in Jameson Canyon. The District's original agreement with DWR provided a maximum annual water entitlement of 25,000 acre-feet. This amount was amended in 2000 following a water transfer agreement with the Kern County Water Agency. This agreement provides the District with an additional 4,025 acre of annual SWP entitlement made available in gradual increments through 2021. The District's SWP entitlement is subcontracted out to the Cities of American Canyon, Calistoga, Napa, St. Helena, and the Town of Yountville. (St. Helena elects to sell its annual SWP entitlement of 1,000 acre-feet.) Each subcontractor is responsible for the construction and operation of their own connection and delivery system to the Napa Turnout Reservoir; withdraws are metered by the District.

NCFCWCD's water supply agreement with the Bureau of Reclamation provides it with an annual entitlement of water drawn from the Solano Project. The contract was recently renewed in 1999 and establishes an annual entitlement of 1,500 acre-feet of water from Lake Berryessa through 2024. The District subcontracts this entitlement to several property owners in the Lake Berryessa area in addition to three special districts: Lake Berryessa Resort Improvement District, Napa-Berryessa Resort Improvement District, and the Spanish Flat Water District. Each subcontractor is responsible for the construction and operation of their own intake and delivery system to Lake Berryessa.

NCFCWCD- Available Water Supply (acre-feet)		
Year	State Water Project *	Solano Project **
2003	21,475	1,500
2004	21,850	1,500
2005	22,225	1,500
2006	22,550	1,500
2007	22,875	1,500
2008	23,200	1,500

- * NCFCWCD entitlements to the SWP are scheduled to gradually increase each year through 2021, at which time the District shall reach its maximum annual entitlement of 29,025 acre-feet. Entitlements continue thereafter through 2035.
- ** NCFCWCD entitlements to the Solano Project continue at 1,500 acre-feet annually through 2024.

WATER DEMAND

NCFCWCD does not provide water service to its subcontractors. The District administers the availability of water supplies through agreements with DWR and the Bureau of Reclamation. Estimates for water demand are determined by each individual subcontractor.

WATER TREATMENT FACILITIES

NCFCWCD does not own, lease, or operate treatment facilities.

DISTRIBUTION SYSTEM AND STORAGE FACILITIES

NCFCWCD does not own, lease, or operate distribution systems or storage facilities.

RATE SCHEDULE

NCFCWCD's water rates are determined by DWR and the Bureau of Reclamation for water supplies generated from the SWP and the Solano Project respectively. These rates are passed directly to each subcontractor based on their water usage along with an administration fee based on District staff time.

FINANCIAL

Bell Canyon Reservoir.

NCFCWCD's annual budget is divided between four divisions: Flood and Watershed Management, Water Supply Operations, Napa Flood Project, and Napa Flood Project – General Administration (Measure A). The District's water supply operation division has an approved operating budget for 2002-2003 of \$4,761,747. Primary expenses include cost associated with the delivery and administration of SWP water. The District's anticipated revenue for 2002-2003 is \$4,761,747. The main revenue source is reimbursement from subcontractors. As of February 2003, the District's cash balance was \$60,759.

Measure A (Napa County Flood Protection Sales Tax Ordinance) was approved by Napa County voters in 1998 and authorizes a 0.5% special tax over a 20-year period for the purposes of funding specified flood and water quality and enhancement projects. Specified projects include the Napa River Flood Project and the stabilization and enhancement of Calistoga's Kimball Reservoir and St. Helena's

WRITTEN DETERMINATIONS

In anticipation of reviewing and updating Napa County Flood Control and Water Conservation District's sphere of influence, and based on the above-mentioned information, the following written determinations are intended to fulfill the requirements of Government Code §56430. When warranted, some determinations include supplemental information listed in italics to provide context to the underlying service factor. A review of the District's sphere of influence will be included as part of a future study.

Infrastructure Needs or Deficiencies:

- 1. The Napa County Flood Control and Water Conservation District does not own, lease, or operate any facilities relating to the provision of water service. Due to its contractual relationship with its subcontractors, it is not anticipated that the District will pursue changes in its operations within the timeframe of this study.
- 2. Through its contractual agreements, the Napa County Flood Control and Water Conservation District administers imported water supplies on behalf of five cities and three special districts in Napa County. In accordance with its legislative mandate, the District should continue to explore opportunities to increase and enhance available water supplies through mutually beneficial water supply projects. These efforts will assist local water agencies to meet increasing service demands, while supplementing and conserving local water resources.
- 3. It is anticipated that the increase in demand projected by Napa County Flood Control and Water Conservation District's municipal subcontractors will necessitate a greater demand for withdraws from the State Water Project. Accordingly, the District should continue to explore opportunities with the California Department of Water Resources and the Solano County Water Agency to ensure the timely availability of adequate capacity through the North Bay Aqueduct to coincide with these increased demands.

Improvements to the North Bay Aqueduct are needed to increase its available capacity to equal the amount of entitlements contracted by the District. The District is currently working with the Department of Water Resources and the Solano County Water Agency to finance and implement the first of these improvements: construction of an additional pump station at Barker Slough. Key factors involved in these improvements are the completion of the original design of the North Bay Aqueduct and to satisfy the increase in State Water Project entitlements generated from the District's water transfer agreement with the Kern County Water Agency.

- 4. On behalf of its subcontractors, the Napa County Flood Control and Water Conservation District should continue to monitor conditions relating to current and future deliveries drawn from the State Water Project. These efforts will assist affected subcontractors to implement proper water supply planning contingencies to mitigate service constraints during below normal and dry year conditions, when deliveries are restricted.
- 5. In 2003, the Department of Water Resources issued the *State Water Project Delivery Reliability Report*. The report provides an assessment of State Water Project deliveries using historical precipitation rates along with projected land and water use demands through 2021. Notably, this report includes delivery estimates during drought periods. This report is a valuable tool for all State Water Project contractors and should be incorporated into each of the District's affected subcontractors' water supply planning efforts.
- 6. The Napa County Flood Control and Water Conservation District has made reasonable efforts to assist local public water agencies secure additional water supplies for supplemental and drought protection purposes. These efforts demonstrate a continued effort by the District to be responsive to the collective needs of Napa County by lessening the impact incurred by ratepayers during below normal and dry years when water supplies are at a premium.

A recent example includes the District's 2000 water transfer agreement with the Kern County Water Agency. This agreement provides each of the five cities in Napa County an annual share of the District's purchase of 4,025 acre-feet of additional State Water Project entitlement. In addition, the District continually monitors interest among its subcontractors with respect to participating in provisional water supply programs facilitated by the California Department of Water Resources as well as open water market purchases.

Growth and Population Projections:

- 1. Projected population growth within Napa County Flood Control and Water Conservation District's jurisdictional boundary will increase at a level identical to projected growth rates for Napa County. It should be expected that increases to the County's population will necessitate a greater demand for water service within the District's jurisdictional boundary. This increase in demand is expected to be largely accommodated by the District's municipal subcontractors.
- 2. Population projections issued by the Association of Bay Area Governments (ABAG) are reasonable estimates of Napa County's current and future population. Population projections issued by ABAG for the County should be incorporated and used by the Napa County Flood Control and Water Conservation District as reasonable population projections for its jurisdictional boundary.

In 2002, ABAG issued updated population projections estimating Napa County's total population at approximately 140,700 by 2010. Of this amount, approximately 110,000 persons are projected to live within one of the County's five incorporated territories.

Financing Constraints and Opportunities:

- 1. The Napa County Flood Control and Water Conservation District's water conservation services are primarily financed from reimbursement fees collected from its subcontractors. These revenues cover actual costs of importing water supplies on behalf of its subcontractors along with administration fees based on staff time. This arrangement enables the District to recover all costs associated with its water conservation services, however, limits cost recovery to services that have been approved by the affected agencies.
- 2. Opportunities for the Napa County Flood Control and Water Conservation District to increase revenues for its water conservation services through assessments are constrained by Article XIII of the California Constitution, which requires 2/3 voter approval to raise special taxes.
- 3. In 1998, Napa County voters approved 'Measure A' authorizing a special tax over a 20-year period for the purpose of funding specified flood control and watershed improvement projects. Revenue generated from this special tax is managed by a technical advisory committee and helps to finance District operations relating to flood control. An examination of this revenue source and its impact on the District's flood control services should be evaluated as part of a future study.

Cost Avoidance Opportunities:

- 1. The Napa County Flood Control and Water Conservation District shares costs relating to its water conservation services with its subcontractors and other public agencies in Napa County who benefit from its services. It is anticipated that future costs incurred as a result of the District's water conservation services will continue to be shared in this manner.
- 2. The Napa County Flood Control and Water Conservation District's water conservation services are administered by the County of Napa's Public Works Department. This arrangement allows the District to access a wide range of resources and enables it to share in the benefits of the County's buying power.

Opportunities for Rate Restructuring:

1. The Napa County Flood Control and Water Conservation District does not determine imported water rates for its subcontractors; rates are determined by the United States Department of the Interior, Bureau of Reclamation, for entitlements drawn from the Solano Project and the California Department of Water Resources for entitlements drawn from the State Water Project. These rates are passed directly to each subcontractor based on their water usage along with an administration fee based on District staff time.

Opportunities for Shared Facilities:

1. The Napa County Flood Control and Water Conservation District and the Napa County Resource Conservation District share similar legislative responsibilities and jurisdictional boundaries. Due to their natural service relationships, opportunities to pursue cost efficiencies and shared facilities between these two agencies should be more fully examined in future studies.

The Napa County Resource Conservation District was formed in 1945 to prevent and control soil erosion, runoff, and the development, storage, and distribution of water. Although it has elected not to offer water service, this district does provide services relating to the assessment of Napa County's waterways and groundwater basins.

Government Structure Options:

- 1. The Napa County Flood Control and Water Conservation District is authorized under its legislative act to provide a wide range of municipal services relating to the provision of water service in Napa County. Although its jurisdictional boundary overlaps several other public agencies in the County empowered to provide similar water services, the District provides a unique service: administration of master water supply agreements on behalf of multiple public agencies throughout the County.
- 2. The Napa County Flood Control and Water Conservation District is authorized under its legislative act to establish "zones" within its jurisdictional boundary for the purposes of establishing assessments to finance projects for the specific benefit of a particular area. This feature enables the District to act responsively to beneficial water quality and enhancement projects within a specified area, while limiting costs to property owners directly benefiting from the project. When appropriate, the District should explore opportunities to establish project zones within the County to assist public agencies and property owners to improve local water resources.

Evaluation of Management Efficiencies:

- 1. The Napa County Flood Control and Water Conservation District provides an annual summary of past and projected revenues and expenditures relating to its water conservation services as part of its annual budget. The budget is adopted following a publicly noticed board meeting in which members of the public are allowed to comment and offer suggestions with respect to expenditures relating to the District's water conservation services. In addition to enhancing the accountability of appointed representatives, the budget process provides a clear directive towards staff with respect to prioritizing district resources.
- 2. The Napa County Flood Control and Water Conservation District's agreement with the United States Department of the Interior, Bureau of Reclamation, for annual entitlements drawn from the Solano Project requires it to ensure that all subcontractors receiving project water are equipped with approved measuring devices no later than 2004. The District should encourage its Solano Project subcontractors to implement these water measuring devices in a timely and efficient manner. Implementation of these measuring devices will enhance the District's level of oversight and help to ensure withdraws from Lake Berryessa are limited to each subcontractor's contractual amount.

Local Accountability and Governance:

- 1. The Napa County Flood Control and Water Conservation District's board meetings are conducted twice a month and are open to the public. Public inquiries involving its water conservation services can be addressed to the board at this time. Regularly scheduled board meetings provide an opportunity for residents to ask questions of their appointed representatives, while helping to ensure that service information is being effectively communicated to the public.
- 2. The Napa County Flood Control and Water Conservation District makes reasonable efforts to maintain public dialogue with the residents of Napa County relating to its water conservation services. These efforts facilitate local accountability and contribute towards public involvement in local governance.
- 3. The Napa County Flood Control and Water Conservation District can improve its local accountability by including information relating to water conservation news and opportunities on its website. In addition, the District should publish an annual newsletter to Napa County households that includes information on water conservation opportunities and updates on current and planned water studies. These efforts would reinforce and enhance the District's legislative mandate to improve the County's water resources and strengthen public involvement in its water conservation services.

4. The United States Department of the Interior, Bureau of Reclamation, has lease agreements with seven concessionary resorts at Lake Berryessa that will expire in 2009. The Bureau of Reclamation is currently developing a new long-term service plan in anticipation of issuing new concessionary agreements. New concessionary agreements could result in significant changes to existing uses and services at Lake Berryessa. The Napa County Flood Control and Water Conservation District should closely monitor the Bureau of Reclamation's plans for long-term uses at Lake Berryessa with respect to potential impacts to its vested subcontractors serving the Lake Berryessa area.

Two of the concessionary resorts at Lake Berryessa, the Spanish Flat Resort and the Steele Park Resort, are potable water customers of the Spanish Flat Water District and the Napa-Berryessa Resort Improvement District respectively. These service providers are both subcontractors of the Napa County Flood Control and Water Conservation District and rely on revenues generated from water sales from the aforesaid concessionary resort to finance their respective operations.

- 5. In 1999, the Napa County Board of Supervisors went on record to encourage the Napa County Flood Control and Water Conservation District to develop and adopt a coordinated groundwater management plan. A coordinated countywide groundwater management plan offers the promise of greater protection for Napa County's groundwater basins against overdraft and contamination, while maximizing its long-term beneficial uses. The District should make a concerted effort to determine the feasibility of developing and adopting a groundwater management plan within the timeframe of this study.
- 6. The Napa County Flood Control and Water Conservation District's water conservation services are maintained and managed by a responsive and professional staff. These characteristics enhance local accountability and cultivate desirable working relationships with members of the public as well as other agencies.